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Consolidated Financial Results for the Six Months Ended April 30, 2023 (Under Japanese GAAP)

June 13, 2023

Company name: Kobe Bussan Co., Ltd. Listing: Prime Market of Tokyo Stock Exchange
 Securities code: 3038 URL: <https://www.kobebussan.co.jp/english/>
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Scheduled date to file Quarterly Securities Report: June 14, 2023
 Scheduled date to commence payment of dividends: –
 Preparation of supplementary material on quarterly financial results: Yes (<https://www.kobebussan.co.jp/english/ir/news.php>)
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

(Amounts less than one million yen have been omitted.)

1. Consolidated financial results for the six months ended April 30, 2023 (from November 1, 2022 to April 30, 2023)

(1) Consolidated operating results

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
April 30, 2023	221,968	12.0	14,133	(4.1)	13,198	(19.4)	9,110	(17.5)
April 30, 2022	198,161	12.3	14,733	2.4	16,380	7.8	11,037	8.9

Note: Comprehensive income

For the six months ended April 30, 2023: ¥8,365 million [(26.2) %]

For the six months ended April 30, 2022: ¥11,331 million [10.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
April 30, 2023	41.54	41.02
April 30, 2022	50.57	49.74

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
April 30, 2023	193,494	101,506	51.2	450.98
October 31, 2022	180,275	97,220	52.7	433.53

Reference: Equity (Shareholders' equity + Valuation and translation adjustments)

As of April 30, 2023: ¥98,985 million

As of October 31, 2022: ¥94,990 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended October 31, 2022	–	0.00	–	22.00	22.00
Ending October 31, 2023	–	0.00	–	–	–
Ending October 31, 2023 (Forecast)	–	–	–	22.00	22.00

Note: Revisions to cash dividend forecast published most recently: None

3. Consolidated financial forecast for the fiscal year ending October 31, 2023 (from November 1, 2022 to October 31, 2023)

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year	440,000	8.2	29,700	6.8	32,500	1.2	21,200	1.8	97.02

Note: Revisions to earnings forecast published most recently: None

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Newly included: None
Excluded: 3 companies
(Company name: KB GLOBAL PARTNERS, INC., J.J. DINING, INC., KOBE BUSSAN USA, INC.)
- (2) Application of accounting methods used specifically for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
- (i) Changes in accounting policies due to application of new or revised accounting standards: Yes
 - (ii) Changes in accounting policies due to reasons other than above (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements of prior period financial statements: None

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 8 of the Attached Materials.

- (4) Number of shares issued (common shares)
- (i) Number of shares issued at the end of the period (including treasury shares)
 - As of April 30, 2023: 273,600,000 shares
 - As of October 31, 2022: 273,600,000 shares
 - (ii) Number of shares of treasury shares at the end of the period
 - As of April 30, 2023: 54,109,820 shares
 - As of October 31, 2022: 54,490,520 shares
 - (iii) Average number of shares of common shares outstanding during the period
 - Six months ended April 30, 2023: 219,292,944 shares
 - Six months ended April 30, 2022: 218,257,206 shares

Note: The number of shares of Kobe Bussan (168,400 shares) held by Custody Bank of Japan, Ltd. (“Trust Account”) as trust property for a Board Benefit Trust was included in the number of shares of treasury shares as of October 31, 2022 and April 30, 2023, which was to be deducted from the calculation of the number of shares of treasury shares as of such periods, and the average number of shares of common shares outstanding for the six months ended April 30, 2022 and the six months ended April 30, 2023.

* This financial results report is not subject to audit procedures to be performed by certified public accountants or an audit firm.

* Proper use of earning forecast, and other special notes

The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, actual results may differ significantly from the results anticipated in these forward-looking statements due to a variety of factors. For more information on the assumptions and disclaimers with respect to earnings and other forecasts, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Results (3) Overview of forward-looking statements including consolidated financial forecast” on page 3 of the Attached Materials.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Overview of quarterly consolidated operating results

During the six months ended April 30, 2023 (from November 1, 2022 to April 30, 2023) (hereinafter the “period under review”), the Japanese economy began to show signs of gradual recovery as the easing of movement and immigration restrictions due to COVID-19 resulted in increased traffic. Nevertheless, the future economic situation has still remained unclear due to the prolonged Russian-Ukraine situation and soaring costs of raw materials and energy, as well as sharp fluctuations in foreign exchange rates.

As a savings-oriented attitude of consumers is prevailing, players in the food retail industry are hard-pressed to deal with such cost rises. Under such circumstances, in line with the Group’s goal of further strengthening “Integrated Food Production & Distribution Operations,” the Kobe Bussan Group has enhanced its competitiveness through increased production capacity and proactive product development. Also, we have provided consumers with high-quality and attractive products at best prices by being attentive and responsive to their needs.

Consequently, in terms of operating results for the period under review, we reported net sales of ¥221,968 million (up 12.0% year on year), operating profit of ¥14,133 million (down 4.1%), ordinary profit of ¥13,198 million (down 19.4%), and profit attributable to owners of parent of ¥9,110 million (down 17.5%).

The operating results by business segment are as follows:

(i) Gyomu Super Business

This business segment covers Gyomu Super stores, which mainly sell products at best prices including those originally produced by our group’s domestic plants or those with attractive private labels directly imported by ourselves under the concept of providing authentic food products from around the world. In the period under review, Gyomu Super stores have expanded nationwide with 1,023 stores as a result of a net increase of 16 stores after opening 24 stores and closing eight.

The breakdown of new store openings was 19 stores in directly managed areas and five stores in indirectly managed areas. While we work on store openings in all locations in Japan, we put a particular focusing on the Kyusyu area. Some of our franchisees are strongly encouraged to relocate stores whose facilities have deteriorated over many years in service.

In terms of operating results, we have continued expanding business performance. This is because we have overcome a rise in purchase costs caused by the sharp fluctuations in foreign exchange rates, price hikes through a successfully implemented pricing strategy, and a great deal of media coverage of our private label products, which represent Gyomu Super’s attractiveness.

Consequently, net sales of the Gyomu Super Business for the period under review stood at ¥215,111 million (up 11.2% year on year).

(ii) Restaurant & Delicatessen Business

This business segment covers Kobe Cook World Buffet, one of the largest buffet-style restaurant chains in Japan; Premium Karubi, a served a-la-carte buffet style BBQ restaurant chain where customers enjoy the best selected premium meats and in-house made desserts; and Chisouna, a delicatessen shop chain under the concept of offering everyday dining with a focus on foods made in-house and available at affordable prices.

In the period under review, Kobe Cook World Buffet opened two restaurants and closed none, resulting in 13 restaurants nationwide. The number of customer visits has gradually been recovering partly due to the Japanese government lifting the mask mandate and the limit on the number of people per table, along with the reopening of two restaurants after renovation and menu changes. Premium Karubi opened three restaurant and closed none, resulting in 19 restaurants nationwide. Each restaurant performed well by continuing to attract more customers. Accordingly, the expansion of the business scale through an increase in the number of restaurants helped operations become more efficient. Chisouna opened 13 shops and closed two, resulting in 98 shops nationwide. Net sales expanded thanks to a variety of foods that caters to customers’ needs and the significantly increased number of shops.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥5,222 million (up 61.3% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. We did not open any power plants during the period under review, but opened one solar power plant in Nishigo-mura, Nishishirakawa-gun, Fukushima since June 2022, resulting in a year-on-year increase by one solar power plant. Currently, we operate 18 solar power plants collectively generating approximately 51.0 MW and one woody biomass power plant generating approximately 6.2 MW.

Consequently, net sales of the Eco Renewable Energy Business for the period under review stood at ¥1,630 million (up 17.4% year on year).

(2) Overview of quarterly consolidated financial position

(Assets)

Total assets as of April 30, 2023 increased by ¥13,218 million from the end of the previous fiscal year to ¥193,494 million.

This was mainly due to an increase in current assets of ¥11,725 million.

This increase was mostly attributable to an increase in cash and deposits of ¥16,047 million resulting from new borrowings to be used for the facility enhancement of our group's domestic plants, partially offset by a decrease in merchandise and finished goods of ¥2,185 million.

(Liabilities)

Total liabilities as of April 30, 2023 increased by ¥8,933 million from the end of the previous fiscal year to ¥91,988 million.

This was mainly due to an increase in non-current liabilities of ¥11,680 million, partly offset by a decrease in current liabilities of ¥2,747 million.

The decrease in current liabilities was mainly attributable to a decrease in short-term borrowings of ¥3,105 million, partially offset by an increase in accounts payable-trade of ¥1,459 million.

The increase in non-current liabilities was mainly attributable to an increase in long-term borrowings of ¥10,718 million resulting from new borrowings for a reason already mentioned above.

(Net assets)

Total net assets as of April 30, 2023 increased by ¥4,285 million from the end of the previous fiscal year to ¥101,506 million.

This was mainly due to an increase in retained earnings of ¥4,286 million.

(3) Overview of forward-looking statements including consolidated financial forecast

It remains unchanged from our financial forecast published on December 15, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of October 31, 2022)	Current quarter (As of April 30, 2023)
Assets		
Current assets:		
Cash and deposits	67,040	83,088
Accounts receivable - trade	23,249	23,991
Securities	2,000	—
Merchandise and finished goods	17,495	15,310
Work in process	435	410
Raw materials and supplies	1,798	2,017
Other	3,995	2,933
Allowance for doubtful accounts	(2)	(15)
Total current assets	116,011	127,736
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	16,001	16,228
Machinery, equipment and vehicles, net	17,799	17,306
Land	16,430	16,453
Other, net	7,880	9,986
Total property, plant and equipment	58,112	59,975
Intangible assets	1,041	1,495
Investments and other assets	5,109	4,287
Total non-current assets	64,263	65,757
Total assets	180,275	193,494
Liabilities		
Current liabilities:		
Accounts payable - trade	29,167	30,626
Short-term borrowings	8,217	5,112
Income taxes payable	6,026	4,214
Provision for bonuses	414	461
Other	4,162	4,826
Total current liabilities	47,987	45,239
Non-current liabilities:		
Long-term borrowings	26,317	37,036
Retirement benefit liability	650	687
Guarantee deposits received	7,167	7,423
Asset retirement obligations	528	551
Provision for share awards for directors (and other officers)	81	95
Other	322	953
Total non-current liabilities	35,067	46,748
Total liabilities	83,055	91,988

(Millions of yen)

	Previous fiscal year (As of October 31, 2022)	Current quarter (As of April 30, 2023)
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	10,466	10,857
Retained earnings	93,061	97,347
Treasury shares	(8,953)	(8,891)
Total shareholders' equity	95,074	99,813
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(3)	20
Foreign currency translation adjustment	(80)	(848)
Total accumulated other comprehensive income	(84)	(828)
Share acquisition rights	2,229	2,521
Total net assets	97,220	101,506
Total liabilities and net assets	180,275	193,494

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

(Millions of yen)

	For the six months ended April 30, 2022 (From November 1, 2021 to April 30, 2022)	For the six months ended April 30, 2023 (From November 1, 2022 to April 30, 2023)
Net sales	198,161	221,968
Cost of sales	174,438	197,450
Gross profit	23,722	24,518
Selling, general and administrative expenses	8,989	10,384
Operating profit	14,733	14,133
Non-operating income:		
Interest income	42	247
Dividend income	0	0
Rental income	125	68
Foreign exchange gain	987	213
Gain on valuation of derivatives	231	—
Subsidy income	182	67
Other	186	226
Total non-operating income	1,755	823
Non-operating expenses:		
Interest expenses	45	31
Rental costs	15	17
Fuel sale costs	38	41
Loss on valuation of derivatives	—	1,659
Other	9	9
Total non-operating expenses	108	1,759
Ordinary profit	16,380	13,198
Extraordinary income:		
Gain on sale of investment securities	—	4
Gain on sale of non-current assets	6	0
Gain on reversal of share acquisition rights	7	0
Total extraordinary income	13	5
Extraordinary losses:		
Loss on retirement of non-current assets	18	7
Loss on sale of investment securities	50	—
Total extraordinary losses	68	7
Profit before income taxes	16,325	13,195
Income taxes - current	5,475	4,045
Income taxes - deferred	(187)	40
Total income taxes	5,287	4,085
Profit	11,037	9,110
Profit attributable to owners of parent	11,037	9,110

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended April 30, 2022 (From November 1, 2021 to April 30, 2022)	For the six months ended April 30, 2023 (From November 1, 2022 to April 30, 2023)
Profit	11,037	9,110
Other comprehensive income:		
Valuation difference on available-for-sale securities	(116)	23
Foreign currency translation adjustment	410	(768)
Total other comprehensive income	293	(744)
Comprehensive income	11,331	8,365
Comprehensive income attributable to:		
Owners of parent	11,331	8,365

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31; June 17, 2021; hereinafter, the "Fair Value Accounting Standards") since the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in paragraph 27-2 of the Fair Value Accounting Standards, the Company has applied the new accounting policies set forth by the Fair Value Accounting Standard prospectively. There is no effect on the quarterly consolidated financial statements by applying the standard.

(Segment information)

I. For the six months ended April 30, 2022 (from November 1, 2021 to April 30, 2022)

1. Information on amounts of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated *3
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Timing of revenue recognition								
Goods or services transferred at a point in time	191,844	3,216	–	195,060	1	195,062	–	195,062
Goods or services transferred over time	1,688	22	1,388	3,098	–	3,098	–	3,098
Revenue from contracts with customers	193,532	3,238	1,388	198,159	1	198,161	–	198,161
Net sales								
Sales to external customers	193,532	3,238	1,388	198,159	1	198,161	–	198,161
Intersegment sales or transfers	1,360	74	–	1,435	–	1,435	(1,435)	–
Total	194,893	3,312	1,388	199,594	1	199,596	(1,435)	198,161
Segment profit (loss)	16,620	(89)	244	16,774	(26)	16,748	(2,014)	14,733

*1 The Other businesses are those not classified into any reportable segment, including the tourism business.

*2 Details of adjustment are as follows:

(1) The amount of adjustment for net sales represents eliminations of intersegment transactions.

(2) The amount of adjustment for segment profit (loss) of ¥(2,014) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.

*3 Segment profit (loss) is adjusted with operating income reported on the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets, goodwill, and other information by reportable segment.

(Significant impairment losses related to non-current assets)

Not applicable.

II. For the six months ended April 30, 2023 (from November 1, 2022 to April 30, 2023)

1. Information on amounts of net sales and profit (loss) and disaggregated revenue by reportable segment

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated *3
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Timing of revenue recognition								
Goods or services transferred at a point in time	213,242	5,181	—	218,423	4	218,427	—	218,427
Goods or services transferred over time	1,869	41	1,630	3,541	—	3,541	—	3,541
Revenue from contracts with customers	215,111	5,222	1,630	221,964	4	221,968	—	221,968
Net sales								
Sales to external customers	215,111	5,222	1,630	221,964	4	221,968	—	221,968
Intersegment sales or transfers	2,308	122	—	2,430	—	2,430	(2,430)	—
Total	217,419	5,344	1,630	224,394	4	224,399	(2,430)	221,968
Segment profit (loss)	15,822	154	332	16,309	(31)	16,278	(2,144)	14,133

*1 The Other businesses are those not classified into any reportable segment, including the tourism business.

*2 Details of adjustment are as follows:

(1) The amount of adjustment for net sales represents eliminations of intersegment transactions.

(2) The amount of adjustment for segment profit (loss) of ¥(2,144) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.

*3 Segment profit (loss) is adjusted with operating income reported on quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets, goodwill, and other information by reportable segment.

(Significant impairment losses related to non-current assets)

Not applicable.